

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Programs Branch**

**RESOLUTION T-16688
December 5, 2002**

RESOLUTION

RESOLUTION T-16688. REVISE FISCAL YEAR 2002-2003 BUDGET AND SURCHARGE RATE FOR THE UNIVERSAL LIFELINE TELEPHONE SERVICE PROGRAM ADOPTED IN RESOLUTION T-16561.

Summary

This Resolution adopts a revised fiscal year (FY) 2002-03 budget of \$238.622 million for the Universal Lifeline Telephone Service (ULTS) program. The revised budget shall apply to program expenditures for FY 2002-03.

The current ULTS surcharge rate of 1.45%, adopted in Resolution T-16561, will remain in effect through December 31, 2002. Commencing January 1, 2003, a revised surcharge rate of zero percent (0.0%) is adopted until further revised by the Commission.

Background

The ULTS Trust Administrative Committee Fund was created in the State Treasury in accordance with Public Utilities (PU) Code § 270(a)(3) as of October 1, 2001 for the receipts and disbursements of ULTS funds.

Pursuant to PU Code § 270(b), moneys in the ULTS Trust Administrative Committee Fund may only be expended upon appropriation in the annual Budget Act.

On October 25, 2001, the California Public Utilities Commission (Commission) adopted Resolution T-16561, dated October 25, 2001, setting forth a FY 2002-03 budget for the ULTS program as summarized in the following tabulation:

	Resolution T-16561 (<u>\$000s</u>)
Carrier Claims for ULTS Service	\$275,000
Marketing Projects	6,700
Administrative / Staff	440
Interagency	508
Other Expenses	<u>1,799</u>
Total	\$284,447

Resolution T-16561 also adopted a surcharge rate of 1.45% effective July 1, 2002 for the funding of the program. This surcharge rate was developed based on a beginning fund balance available for program purposes of \$55.297 million, and a total telecommunications billing subject to ULTS surcharge of \$15.873 billion.

The approved FY 2002-03 State Budget, as enacted in Chapter 379 Statutes 2002 (2002 Budget Act) appropriated \$284,804,000 for the ULTS Trust Administrative Committee Fund and set the amount to be used by the Commission to fund administrative and staffing costs for the ULTS program at \$357,000.

Discussion

This Resolution adopts the following:

- The FY 2002-2003 revised adopted budget for the ULTS program is \$238.622 million.
- The current ULTS surcharge rate of 1.45% adopted in Resolution T-16561 shall remain in effect through December 31, 2002.
- Commencing January 1, 2003, the ULTS surcharge rate shall be reduced to zero percent (0.00%).
- All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by December 20, 2002 revising the ULTS surcharge rate to 0.00% to take effect on January 1, 2003.

A summary of the budget, as adopted in Resolution T-16561, and the proposed revised budget are shown below:

ITEMS (\$ in thousands)	Resolution T-16561	2002-03 State Budget Act	Increase/ Decrease	Proposed Revised Budget for FY 2002-03
	(A)	***** (B)	(C)	(D)= (A) - (C)
Carrier Claims	\$275,000		\$(45,000)	* \$230,000
Marketing Projects	6,700		(700)	** 6,000
Administrative / Staff	440	\$357	(83)	357
Interagency	508		(508)	*** 0
Other Expenses	<u>1,799</u>		<u>466</u>	**** <u>2,265</u>
Total	\$284,447	\$284.804	\$(46,482)	\$238,622

* The reduction in estimated carrier claims reflects the FY 02-03 forecasts of ULTS claims by carriers and actual ULTS program payments for FY 2001-2002.

** The marketing projects reflect projected costs for a contract for marketing and outreach efforts and for a contract for the call center..

*** For FY 2002-03, the program will not incur any interagency costs.

**** Reflects an increase for auditing expenditures.

***** 2002-03 Budget Act adopts the administrative/staffing cost of \$357,000 and total amount of \$284,804,000.

Furthermore, based on the telecommunications surcharge revenue remittances for the past FY 2001-02 and the forecast of such surcharge revenue remittances for FY 2002-03, the estimated intrastate billings subject to surcharge are estimated to be \$18 billion. Consistent with this revision, the ULTS surcharge rate adopted in Resolution T-16561 is also revised to zero percent beginning on January 1, 2003 billings and thereafter until further revised by the Commission.

All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by December 20, 2002 revising the ULTS surcharge rate to zero percent (0.00%) to take effect on January 1, 2003. For clarity to the subscriber, the carriers should continue to specifically and conspicuously identify the ULTS surcharge on the subscriber's telephone bill as "Universal Lifeline Telephone Service Surcharge" and the surcharge rate should be noted as zero percent (0%) on the bill.

NOTICE TO OTHER CARRIERS, ADVICE LETTER FILINGS, AND NOTICE OF AVAILABILITY

In Resolution T-15558 (dated June 8, 1994), we waived the notice requirements of General Order (G.O.) 96-A, Section III.G.1 to furnish competing utilities either public or private with copies of related tariff sheets. We did so because it did not appear to be in the public's interest for each utility to send and receive over two hundred notices advising them of regulatory changes about which they already know. Since that time nothing has happened to change our opinion, so we will waive this notice requirement for tariff changes which comply with this resolution.

The Telecommunications Division (TD) oversees the administration of several public programs. The surcharge rates for some of these programs will be revised effective January 1, 2003 based on the revised adopted FY 2002-03 budgets. For administrative efficiency, we will allow telecommunications utilities that are subject to the surcharges for these various programs to file concurrently revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before December 20, 2002. These advice letters shall become effective January 1, 2003.

In the past, the Commission has served a hard copy of this resolution on all telecommunications carriers and parties on the service list of R. 98-09-005. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, the TD has informed the telecommunications carriers and those on the service list of R. 98-09-005 on the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission website, www.cpuc.ca.gov.

Comments

In compliance with PU Code § 311 (g), the draft of this Resolution was mailed on November 5, 2002 to ULTS-AC and to the parties on the service list of R98-09-005. A copy of the cover letter of this mailing was also sent to each of the Commission certificated telecommunications carrier informing parties that this draft resolution is available at the Commission's website www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm, is available for public comment, and the conformed resolution will be available at the same website.

Comments received on a timely basis will be addressed by the Telecommunications Division in this resolution.

Findings

1. On October 25, 2001, the California Public Utilities Commission (Commission) adopted Resolution T-16561 setting forth a budget in the amount of \$284,447,000 and a surcharge rate of 1.45% for the Universal Lifeline Telephone Service (ULTS) program for fiscal year 2002-2003.
2. The ULTS Trust Administrative Committee Fund was created in the State Treasury in accordance with Public Utilities (PU) Code § 270(a)(3) as of October 1, 2001 for the receipts and disbursements of ULTS funds.
3. Pursuant to PU Code § 270(b), moneys in the ULTS Trust Administrative Committee Fund may only be expended upon appropriation in the annual Budget Act.
4. On September 5, 2002, the 2002-2003 Budget Act, Chapter 379 of Statutes 2002, appropriated \$284,804,000 for the ULTS Trust Administrative Committee Fund for fiscal year 2002-2003.
5. Based on the FY 2002-03 ULTS claims provided by carriers and actual FY 2001-02 ULTS program payments, the FY 2002-2003 budget of \$238.622 million for the ULTS program, as set forth in Appendix A of this Resolution, is reasonable and should be adopted.
6. Based on the telecommunications surcharge revenue remittances for the past FY 2001-02 and the forecast of such surcharge revenue remittances for FY 2002-03, the estimated intrastate billings subject to surcharge are estimated to be \$18 billion.
7. The existing surcharge rate of 1.45% should remain in effect until December 31, 2002.
8. A revised surcharge rate of zero percent (0.00%) should be implemented beginning January 1, 2003 until further revised by the Commission.
9. The telecommunications carriers are not required to notice competing utilities for tariff changes which comply with this resolution.
10. The Telecommunications Division (TD) oversees the administration of several public programs. The surcharge rates for some of these programs will be revised effective January 1, 2003 based on the revised adopted FY 2002-03 budgets. For administrative efficiency, we will allow telecommunications utilities that are subject to the surcharges for these various programs to file concurrently revised tariff

schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before December 20, 2002. These advice letters shall become effective January 1, 2003.

11. All certificated telecommunications carriers required to file tariffs with the Commission should file advice letters by December 20, 2002 to change the surcharge to zero percent (0.00%) beginning on January 1, 2003 and thereafter until further revised by the Commission.
12. For clarity to the subscriber, the carriers should continue to be specifically and conspicuously identified the ULTS surcharge on the subscriber's telephone bill as "Universal Lifeline Telephone Service Surcharge" and the surcharge rate should be noted as zero percent (0%) on the bill.
13. The draft of this resolution was mailed on November 5, 2002 to the parties on the service list of R98-09-005. A copy of the cover letter of that mailing was also sent to each of the Commission certificated telecommunications carriers advising them of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site.

THEREFORE, IT IS ORDERED that:

1. This Resolution adopts a revised budget, as set forth in Appendix A, for the Universal Lifeline Telephone Service (ULTS) program for fiscal year 2002-2003 in the amount of \$238.622 million.
2. The current ULTS surcharge rate of 1.45% adopted in Resolution T-16561 shall remain in effect through December 31, 2002.
3. For administrative efficiency, we will allow telecommunications utilities that are subject to the surcharges for these various programs to file concurrently revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before December 20, 2002. These advice letters shall become effective January 1, 2003.
4. Commencing January 1, 2003, the ULTS surcharge rate shall be reduced to zero percent (0.00%) and shall remain in effect until further revised by the Commission.
5. All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by December 20, 2002 revising the ULTS surcharge rate to 0.00% to take effect on January 1, 2003. The telecommunications

are not required to notice competing utilities for tariff changes which comply with this resolution.

6. For clarity to the subscriber, the carriers shall continue to specifically and conspicuously identify the ULTS surcharge on the subscriber's telephone bill as "Universal Lifeline Telephone Service Surcharge" and the surcharge rate shall be noted as zero percent (0%) on the bill.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 5, 2002. The following Commissioners approved it:

WESLEY M. FRANKLIN
Executive Director

ATTACHMENT A

UNIVERSAL LIFELINE TELEPHONE SERVICE TRUST ADMINISTRATIVE COMMITTEE FUND				
PROJECTED PROGRAM BUDGET FOR FISCAL YEAR 2002-03				
(Dollars in Thousands)				
		Adopted FY 02-03 Budget Res T-16681*	Proposed Revised FY 02-03 Budget	Adopted Revised FY 02-03 Budget
A	PROJECTED BILLING BASE	\$15,873,000	\$17,700,000	\$18,000,000
B	APPLICABLE SURCHARGE RATE **	1.450%	0.967%	0.967%
1	FUND BALANCE AVAILABLE FOR PROGRAM PURPOSE ***	\$55,297	\$112,378	\$112,378
2	REVENUES			
a	Surcharge Revenue	\$230,158	\$171,100	\$174,000
b	Investment Income		\$4,865	\$4,787
c	Others			
d	Total Revenue (Sum of a thru c)	\$230,158	\$175,965	\$178,787
3	PROGRAM EXPENSES			
a	Program Payment			
i.	Carrier Claims ****	\$275,000	\$230,000	\$230,000
iv.	Marketing/Outreach/Program Education *****	\$6,700	\$6,000	\$6,000
v.	Sub-Total (Sum of i thru iv)	\$281,700	\$236,000	\$236,000
b	Administrative Committee			
i.	Per Diem	\$37	\$37	\$37
ii.	Travel and Other Administrative Expense	\$24	\$24	\$24
iii.	Insurance			
iv.	Sub-Total (Sum of i thru iii)	\$61	\$61	\$61
c	Banking Fees			
i.	LockBox & Trust Fees	\$18	\$72	\$72
ii.	Zero-Based Account		\$12	\$12
iii.	Sub-Total (Sum of i and ii)	\$18	\$84	\$84
d	Audits			
i.	Financial Audit	\$20	\$100	\$100
ii.	Compliance/Program Audit	\$500	\$500	\$500
iii.	Surcharge Reimbursement Audit	\$600	\$600	\$600
iv.	Carrier Claim Audit	\$600	\$600	\$600
v.	Sub-Total (Sum of i thru iv)	\$1,720	\$2,100	\$2,100
e	Staff Cost			
i.	SB 668 Fiscal Office Staff	\$151	\$141	\$141
ii.	SB 668 Telecom Division Staff	\$288	\$216	\$216
iii.	Travel Expense	\$0	\$0	\$0
iv.	Sub-Total (Sum of i through iii)	\$440	\$357	\$357
f	Other Costs			
i.	Interagency Billings	\$508	\$0	\$0
ii.	Programming/Data Processing & Related Costs		\$20	\$20
iii.	Others			
iv.	Sub-Total (Sum of i thru iii)	\$508	\$20	\$20
4	TOTAL PROGRAM EXPENSES (Sum Sub-Total of 5a thru 5f)	\$284,447	\$238,622	\$238,622
5	PROJECTED FUND BALANCE AVAILABLE FOR FY 03-04 (Ln 3 + Ln 4d - Ln 5)	\$1,008	\$49,741	\$52,543
* Fiscal Year 2002-03 budget was adopted by the Commission in Resolution T-16681, dated October 25, 2001.				
** The weighted surcharge rate is 0.967% for FY 2002-03. Effective July 1, 2002, the surcharge rate is 1.45%. Beginning January 1, 2003, the surcharge is zero percent (0%). Actual reimbursement of the surcharge revenues is 40 days from the effective date of the new surcharge rate. The determination of surcharge revenues for FY 2002-03 is not straight multiplication of Lines A * B.				
*** Fund balance as of July 1, 2002 is \$160,566 million. The fund balance is reduced by \$48,278 million to reflect amounts owed, including interest, for the FY 01-02.				
**** The reduction in estimated carrier claims reflects the FY 02-03 forecasts of ULTS claims by carriers and actual FY 2001-02 ULTS program payments.				
***** Reduction reflects the estimated cost of a call center contract.				
***** Beginning July 1, 2002 Fund Balance is net of unexpended appropriation balance of \$44,197,000				